

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Friday, April 20, 2012

Walgreens Pharmacy Chain Pays \$7.9 Million to Resolve False Prescription Billing Case*Allegedly Offered Illegal Inducements to Government Health Care Programs Beneficiaries to Transfer Prescriptions to Walgreens*

Walgreens, an Illinois-based corporation operating a national retail pharmacy chain, has paid the United States and participating states \$7.9 million to resolve allegations that Walgreens violated the False Claims Act, the Justice Department announced today.

The settlement resolves allegations that Walgreens offered illegal inducements to beneficiaries of government health care programs, including Medicare, Medicaid, TRICARE and the Federal Employees Health Benefits Program (FEHBP), in the form of gift cards, gift checks and other similar promotions that are prohibited by law, to transfer their prescriptions to Walgreens pharmacies. The government investigation alleged that Walgreens had offered government health beneficiaries \$25 gift cards when they transferred a prescription from another pharmacy to Walgreens. The company's advertisements that promoted gift cards and gift checks for transferred prescriptions typically acknowledged that the offer was not valid with Medicaid, Medicare or any other government program. Nevertheless, the government alleged that Walgreens employees frequently ignored the stated exemptions on the face of the coupons and handed gift cards to customers who were beneficiaries of government health programs, in violation of federal law.

"This case represents the government's strong commitment to pursuing improper practices in the retail pharmacy industry that have the effect of manipulating patient decisions," said Stuart F. Delery, Acting Assistant Attorney General for the Civil Division of the Department of Justice.

The allegations were brought to the government by two whistleblowers, known as relators, in two separate whistleblower lawsuits filed under the *qui tam*, or whistleblower, provisions of the False Claims Act and state False Claims Act statutes. The relators, Cassie Bass, a pharmacy technician formerly employed by Walgreens, and Jack Chin, an independent pharmacist, will receive \$1,277,172 from the United States for their role in filing the *qui tam* actions. The federal share of the settlement is \$7,298,124.

"This case vindicates and protects the interests of consumers throughout the nation by ensuring that they remain free from undue influence by large retail chains when making decisions about which pharmacies to entrust their own individual health care," said André Birotte Jr, U.S. Attorney for Central District of California.

"The law prohibits pharmacies from using their retail clout to lure patients whose prescriptions are subsidized by the government," said Barbara L. McQuade, U.S. Attorney for the Eastern District of Michigan. "Continuity with a pharmacist is important to detect problems

with dosages and drug interactions. Patients should make decisions based on legitimate health care needs, not on inducements like gift cards.”

“This settlement makes clear that corporations seeking increased profits over their patients' needs will pay a substantial price,” said Daniel R. Levinson, Inspector General for the Department of Health and Human Services. “Violating Federal health care laws, as Walgreens allegedly did by offering incentives for new business, cannot be tolerated.”

This resolution is part of the government's emphasis on combating health care fraud and another step for the Health Care Fraud Prevention and Enforcement Action Team (HEAT) initiative, which was announced by Attorney General Eric Holder and Secretary of the Department of Health and Human Services Kathleen Sebelius in May 2009. The partnership between the two departments has focused efforts to reduce and prevent Medicare and Medicaid financial fraud through enhanced cooperation. One of the most powerful tools in that effort is the False Claims Act, which the Justice Department has used to recover more than \$6.7 billion since January 2009 in cases involving fraud against federal health care programs. The Justice Department's total recoveries in False Claims Act cases since January 2009 are over \$9 billion.

This case was investigated jointly by the Commercial Litigation Branch of the Justice Department's Civil Division, the U.S. Attorney's Offices for the Central District of California and the Eastern District of Michigan, the National Association of Medicaid Fraud Control Units and the Department of Health and Human Services, Office of Inspector General.

The claims settled by today's agreement are allegations only; there has been no determination of liability.